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SIPDIS

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SUBJECT: EU AMBASSADOR PROVIDES READOUT ON SOUTH AMERICAN
VISIT OF EU EXTERNAL RELATIONS COMMISSIONER

REF: LIMA 3208

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1. (SBU) SUMMARY: Ambassador met with EU Ambassador Mendel Goldstein on 7/27 to convey concerns about statements attributed to EU External Relations Commissioner Benita Ferrero-Waldner that appeared to criticize U.S. counternarcotics policies in the Andes. Goldstein stated that Ferrero-Waldner's trip was designed to send a strong political message of the EU's continued interest in the region, with the Peru portion focusing on narcotics, trade and development assistance. Goldstein argued that the media improperly interpreted Ferrero-Waldner's statements on narcotics issues as undercutting USG/GOP drug policies, but was not convincing. He added that in Brazil, a planned meeting with President Lula fell through, but agreement was reached on holding Ministerial meeting in Brussels 9/2 to re-energize EU-MERCOSUR free trade agreement talks. END SUMMARY.

12. (SBU) According to Goldstein:

-- Ferrero-Waldner's visit was intended to send a strong political message to Latin America as a whole of her personal interest in the region, in response to Brussels' perception that South America perceives the EU as refocusing its attention on Asia to the detriment of the new world.

-- The Brazil portion was not very successful as a planned meeting with Lula fell-through due to the latter's domestic troubles, and the chief practical outcome was agreement to hold a ministerial-level meeting in Brussels on 9/2 in an attempt to re-energize the EU-MERCOSUR free trade agreement negotiations.

-- The Lima portion was divided between the Andean Community of Nations (CAN) and the GOP.

-- Ferrero-Waldner was not able to meet with the CAN Presidents because Colombian President Alvaro Uribe requested a last-minute shift in the date of the Presidents' meeting due to his own trip to Europe, but she did meet with the CAN Foreign Ministers.

-- The EU and CAN reached agreement last January on an "FTA evaluation process." They had a follow up meeting in Lima in the spring. The CAN Presidents agreed to meet before December to discuss how they can meet the EU's minimal conditions for FTA negotiations and to establish a program. (COMMENT: Most daunting of the minimal conditions is that Andeans have not been able to harmonize tariffs. END COMMENT.) There will be a third meeting in November either in Caracas or Lima. A mixed EU-CAN commission is to meet in December. If its evaluation is positive, announcement of the start of FTA negotiations would likely be made at the May 2006 EU-Latin America Summit in Vienna.

-- The Peru bilateral sessions were designed to pay tribute to the GOP for maintaining an island of stability in the Andean region, and the agenda focused on narcotics, trade, and the future of development assistance.

-- Ferrero-Waldner received a warm reception, met with President Alejandro Toledo and senior officials, and the visit as a whole met expectations.

-- The London terrorist attack influenced the narcotics discussions. Toledo referred to them in launching a reflection on Peru's experience with terrorism, an experience that left him convinced that the problems of narcotics trafficking and terrorist violence are firmly linked. Ferrero-Waldner agreed and suggested that these links be analyzed with a view towards cutting them. She mentioned EU cooperation with the U.S. in the G-8 to find a solution, emphasizing the need for a global approach. She then proposed that this be a priority item for the EU-Latin America Summit.

-- On antinarcotics efforts, Ferrero-Waldner called for a more "innovative and coherent" approach, one that goes after money laundering and precursor chemicals, as well as other police actions.

13. (SBU) The Ambassador noted that the local media had quoted Ferrero-Waldner as saying that Peru and the international community had to come up with a better response to narcotics than "chasing peasants around," remarks that had been interpreted widely as a criticism of eradication of coca crops. The Ambassador told Goldstein this was unfortunate because it appeared to drive a wedge between the U.S. and EU positions. The Ambassador added that even more important, USG experience is that general development programs that are not accompanied by a credible threat that illegal coca crops will be eradicated are ineffective in reducing leaf/narcotics production.

14. (SBU) Goldstein claimed that Ferrero-Waldner did not say anything against eradication, though he admitted she observed that it is not having the results that were expected. He said that she also expressed concern about the social aspect of the cocalero condition, declaring that they should not feel stigmatized. The EU, Goldstein continued, believes that income replacement in coca regions is difficult, given the poor agricultural conditions that are usually found. Therefore, general development is needed to generate alternatives.

15. (SBU) COMMENT: Despite Goldstein's effort to minimize differences, we believe the press accurately captured what Peruvian authorities think they heard from Ferrero-Waldner. The EU office in Lima generally has strong donor coordination with us and Goldstein does not/not try to play up our disagreements in the press. However, other members of the EU office regularly try to put light between themselves and our more muscular policy, something that does cause difficulties for us, particularly in the coca zones. END COMMENT.
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